TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1827 – SB 1420

April 11, 2011

SUMMARY OF AMENDMENT (005885): Deletes the original bill. Creates the "Border Region Retail Tourism Development District Act" authorizing local governments to receive an apportionment of state sales and use taxes to fund the costs of any economic development project in the district. Defines "extraordinary retail or tourism facility" as a store, series of stores, or other public tourism facility located within a district that is reasonably anticipated to draw at least one million visitors and is expected to require a capital investment of at least $20 million while remitting at least $2 million in state sales and use tax. Requires the legislative body of a municipality receiving an apportionment of state sales and use taxes to adopt an ordinance designating the boundaries of the district and to file a certified copy of the ordinance and a project master plan with the Department of Revenue. Limits each municipality to one such district. Requires the Commissioner of Revenue and the Commissioner of Economic and Community Development (ECD) to make a determination that such special allocation of state sales tax revenue is in the best interest of the state. Prohibits financial assistance to an existing retailer located within a fifteen-mile radius of the district.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – $5,548,200
Increase State Expenditures – Not Significant

Increase Local Revenue – $5,548,200
Increase Local Expenditures – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Forgone State Revenue – $5,548,200
Increase State Expenditures – Not Significant

Increase Local Revenue – $5,548,200
Increase Local Expenditures – Not Significant

Assumptions applied to amendment:

- Defines "base tax revenue" as revenue generated from the collection of state sales and use taxes from all business within the applicable district as of the end of the fiscal year immediately preceding the year any local government is entitled to receive an allocation of such taxes.

- Defines “border regional retail tourism development district” as one or more parcels of real property located in a municipality, some part of whose corporate limits border a neighboring state, and which is no more than one-half mile from an existing federally-designated interstate exit, no more than 12 miles from a state border as measured by straight line, no larger than 950 total acres and is designated as a border regional retail tourism development district by a municipal ordinance and certified by the Commissioner of Revenue.
- Defines “cost” to mean all cost of an economic development project in a district incurred by the municipality or industrial development corporation.
- Municipalities in Bradley, Campbell, Cocke, Giles, Hamilton, Hawkins, Marion, Montgomery, Robertson, Shelby, Sullivan and Sumner Counties will be authorized to create a Region Retail Tourism Development District.
- The fiscal impact of this bill is dependent upon several unknown factors such as the degree of future development within the district, the taxable sales and services that will occur in the future, and the total bond indebtedness incurred to finance development within the approved district.
- Given that this bill makes a special allocation of future state sales tax revenue (revenue which is not currently being collected), and because the Commissioners of Revenue and ECD are required to make a determination that the special allocation of state sales tax revenue is in the best interests of the state, the revenue impact to the state is considered to be forgone revenue.
- According to the Department of Revenue (DOR), total sales tax collection from eligible counties in FY09-10 was $1,697,400,000. Approximately $1,333,700,000 (or 78.57 percent) will be subject to appropriation to local governments.
- Estimate assumes one municipality in each eligible county will establish a Border Region Retail Tourism Development District.
- According to DOR, districts would contribute 10 percent of sales taxes.
- According to DOR, the average sales tax growth rate is four percent.
- Due to multiple unknown factors, determining a precise fiscal impact is difficult. However, total forgone state revenue is estimated to exceed $5,548,192 ($1,333,700,000 x 10% x 1.04 x 0.04) per year.
- Local government revenue will increase by an unknown amount estimated to exceed $5,548,192 per year as a result of the special allocation of state sales tax revenue.
- There will not be a significant increase to state or local expenditures to prepare or review applications.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/agl